

CITY OF OGDEN
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-6
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 9-10
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 11
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 12
Notes to Financial Statements	14-21
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	23-24
Notes to Required Supplementary Information – Budgetary Reporting	25
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 27-29
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Fund	2 30
Schedule of Indebtedness	3 31-32
Bond and Note Maturities	4 33
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5 34
Schedule of Expenditures of Federal Awards	6 35
Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	37-38
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	40-41
Schedule of Findings and Questioned Costs	42-48

City of Ogden

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Berg	Mayor	Jan 2012
Brian Reimers	Council Member/Mayor Pro tem	Jan 2014
Mark Trueblood*	Council Member	Jan 2012
Lori Anderson	Council Member	Jan 2012
Margaret Liston	Council Member	Jan 2012
Sean Thompson	Council Member	Jan 2012
Deb Vigdal	Administrator/Clerk	Indefinite
Lee Johnson	Attorney	Indefinite

*** Mark Trueblood was appointed to take Lyle Conklin's position after he passed away.**

City of Ogden

CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

316 S. Duff Suite B – PO Box 187
Ames, Iowa 50010
Phone: 515-233-4060 FAX: 515-233-3703

13375 University Ave, Suite 203
Clive, Iowa 50325
Phone: 515-252-7141 FAX: 515-252-7073

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ogden, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's primary government financial statements listed in the table of contents. These primary government financial statements are the responsibility of the City of Ogden's management. Our responsibility is to express opinions on these primary government financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these primary government financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Ogden, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Ogden as of June 30, 2011, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. In accordance with accounting principles generally accepted in the United State of America, Ogden Municipal Utilities has issued separate financial statements for which other auditors have issued their report.

In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ogden as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2012 on our consideration of the City of Ogden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City has not presented Management's Discussion and Analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

Budgetary comparison information on pages 23 through 25 is not a required part of the primary government financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise the City of Ogden's primary government financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the primary government financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements and, in our opinion, is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Cline DeVries & Allen, LLP
June 6, 2012
Ames, Iowa

City of Ogden

Basic Financial Statements

City of Ogden

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

			Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restrictcd Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 285,367	57,538	1,521	-
Public works	254,100	8,667	238,774	482,065
Health and social services	5,400	-	-	-
Culture and recreation	168,044	35,305	75	24,227
Community and economic development	39,936	-	-	38,957
General government	187,816	-	-	-
Debt service	170,216	-	-	-
Capital projects	1,567,280	-	-	-
Total governmental activities	2,678,159	101,510	240,370	545,249
Business type activities:				
Sewer	266,142	316,865	-	-
Storm water	17,747	35,918	-	-
Total business type activities	283,889	352,783	-	-
Total	\$ 2,962,048	454,293	240,370	545,249

General Receipts:

Property tax levied for:

General purposes

Employee benefits

Debt service

Special assessments

Utility franchise tax

Local option sales tax

Unrestricted interest on investments

Dividend

Miscellaneous

Rent

Sale of fixed assets

Sale of bonds, net of fees

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, as restated (Note 10)

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:

Cemetery perpetual care

Cemetery mausoleum

Expendable:

Streets

Debt service

Other purposes

Unrestricted

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(226,308)	-	(226,308)
475,406	-	475,406
(5,400)	-	(5,400)
(108,437)	-	(108,437)
(979)	-	(979)
(187,816)	-	(187,816)
(170,216)	-	(170,216)
(1,567,280)	-	(1,567,280)
(1,791,030)	-	(1,791,030)
-	50,723	50,723
-	18,171	18,171
-	68,894	68,894
(1,791,030)	68,894	(1,722,136)
418,090	-	418,090
138,337	-	138,337
139,543	-	139,543
1,167	-	1,167
8,022	-	8,022
137,635	-	137,635
8,506	5,497	14,003
85,800	-	85,800
19,986	322	20,308
13,680	-	13,680
-	-	-
1,311,055	-	1,311,055
10,242	(10,242)	-
2,292,063	(4,423)	2,287,640
501,033	64,471	565,504
702,548	464,104	1,166,652
\$ 1,203,581	528,575	1,732,156
\$ 48,576	-	48,576
17,462	-	17,462
103,770	-	103,770
5,499	-	5,499
714,160	-	714,160
314,114	528,575	842,689
\$ 1,203,581	528,575	1,732,156

City of Ogden

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2011

	General	Special Revenue Local Option Tax	Road Use Tax	Capital Projects CDBG 09 Drainage	Sewer CIPP	Other Nonmajor Governmental Funds	Total
Receipts:							
Property tax	\$ 418,090	-	-	-	-	277,880	695,970
Other city tax	8,022	137,635	-	-	-	-	145,657
Licenses and permits	2,078	-	-	-	-	-	2,078
Use of money and property	102,261	-	-	-	-	5	102,266
Intergovernmental	79,549	-	195,417	225,801	256,264	38,957	795,988
Charges for service	16,919	-	-	-	-	-	16,919
Special assessments	1,167	-	-	-	-	-	1,167
Miscellaneous	71,995	-	-	-	-	24,655	96,650
Total receipts	700,081	137,635	195,417	225,801	256,264	341,497	1,856,695
Disbursements:							
Operating:							
Public safety	285,367	-	-	-	-	-	285,367
Public works	54,012	-	200,088	-	-	-	254,100
Health and social services	-	5,400	-	-	-	-	5,400
Culture and recreation	168,044	-	-	-	-	-	168,044
Community and economic development	39,936	-	-	-	-	-	39,936
General government	187,816	-	-	-	-	-	187,816
Debt service	-	-	-	-	-	170,216	170,216
Capital projects	-	-	-	1,143,295	257,538	166,447	1,567,280
Total disbursements	735,175	5,400	200,088	1,143,295	257,538	336,663	2,678,159
Excess (deficiency) of receipts over (under) disbursements	(35,094)	132,235	(4,671)	(917,494)	(1,274)	4,834	(821,464)
Other financing sources (uses):							
Sale of bonds	-	-	-	1,311,055	-	-	1,311,055
Sale of cemetery lots	-	-	-	-	-	1,200	1,200
Operating transfers in	139,849	125,000	-	-	-	141,996	406,845
Operating transfers out	(131,776)	(90,993)	(20,000)	-	-	(153,834)	(396,603)
Total other financing sources (uses)	8,073	34,007	(20,000)	1,311,055	-	(10,638)	1,322,497
Net change in cash balances	(27,021)	166,242	(24,671)	393,561	(1,274)	(5,804)	501,033
Cash balances beginning of year, as restated (Note 10)	403,297	-	128,441	(89,853)	(1,708)	262,371	702,548
Cash balances end of year	\$ 376,276	166,242	103,770	303,708	(2,982)	256,567	1,203,581
Cash Basis Fund Balances							
Nonexpendable							
Cemetery perpetual care	\$ -	-	-	-	-	48,576	48,576
Cemetery mausoleum	-	-	-	-	-	17,462	17,462
Restricted for:							
Streets	-	-	103,770	-	-	-	103,770
Debt service	-	-	-	-	-	5,499	5,499
Other purposes	-	166,242	-	303,708	-	244,210	714,160
Unassigned	376,276	-	-	-	(2,982)	(59,180)	314,114
Total cash basis fund balances	\$ 376,276	166,242	103,770	303,708	(2,982)	256,567	1,203,581

See notes to financial statements.

City of Ogden

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise		
	Sewer	Non major	Total
Operating receipts:			
Charges for service	\$ 316,865	\$ 35,918	\$ 352,783
Miscellaneous	322	-	322
Total operating receipts	317,187	35,918	353,105
Operating disbursements:			
Business type activities	146,242	17,747	163,989
Excess (deficiency) of operating receipts over (under) operating disbursements	170,945	18,171	189,116
Non-operating receipts (disbursements):			
Intergovernmental	-	-	-
Interest on investments	5,497	-	5,497
SRF loan proceeds	-	-	-
Debt service	(119,900)	-	(119,900)
Operating transfers in	-	-	-
Operating transfers out	(9,248)	(994)	(10,242)
Total non-operating receipts (disbursements)	(123,651)	(994)	(124,645)
Excess (deficiency) of receipts over (under) disbursements	47,294	17,177	64,471
Cash balances beginning of year	437,181	26,923	464,104
Cash balances end of year	\$ 484,475	\$ 44,100	\$ 528,575
Cash Basis Fund Balances			
Unrestricted	\$ 484,475	\$ 44,100	\$ 528,575

See notes to financial statements.

City of Ogden

City of Ogden

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Ogden is a political subdivision of the State of Iowa located in Boone County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Ogden has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Ogden Municipal Utilities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Ogden (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Ogden Municipal Utilities (Utilities) was established to operate the City's electric and water facilities. The Utilities are governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utilities is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utilities in that the City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Ogden Community Development Committee, Boone County Conference Board, Paul Lowery Trust Board, Boone County Endowment, Boone County Emergency Management Board, Genesis Development Board, and the Bright Meadows Board.

The City Council members also sit on the Rural Fire Services Board. The City has an ongoing financial interest in this Board. (See Note (9))

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Tax Fund is used to account for monies collected thru local option sales tax receipts.

The Road Use Tax Fund is used to account for the road use allocation from the State of Iowa to be used for road construction and maintenance.

Capital Projects:

The 09 CDBG Drainage project is used to account for the drainage improvement project.

The Sewer CIPP project is used to account for capital improvements to the City's sanitary sewer system.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system. Also accounted for in this fund are payments of principal and interest on the City's long-term sewer debt.

C. Measurement Focus and Basis of Accounting

The City of Ogden maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a

proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the Governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the business type activities function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City owns 560 shares of \$25 par value common stock of the Ogden Telephone Company, of which 140 shares (\$100 par value) were acquired by donation and another 420 shares were acquired by stock splits. In 1972, when the stock was donated, there was no market value, therefore it is not included in the cash and investments balance.

Although this type of investment is not permitted by the Code of Iowa, it was acquired by donation, therefore the City is not in violation of Chapter 12 of the Code of Iowa. At this time, the City has decided not to dispose of the stock due to market conditions.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk - The City's investment in the Ogden Telephone Company stock is unrated.

(3) Loans Payable/Revenue Bonds

Annual debt service requirements to maturity for the City's loans payable and revenue bonds are as follows:

Year Ending June 30,	Storm Sewer Loan		Sewer Revenue Bonds		Series 2010		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	20,325	1,498	79,000	40,590	100,000	34,910	199,325	76,998
2013	20,293	499	82,000	38,220	100,000	33,500	202,293	72,219
2014	-	-	84,000	35,760	100,000	31,840	184,000	67,600
2015	-	-	87,000	33,240	100,000	29,960	187,000	63,200
2016	-	-	89,000	30,630	100,000	27,620	189,000	58,250
2017-2021	-	-	487,000	111,390	500,000	92,290	987,000	203,680
2022-2025	-	-	445,000	33,870	200,000	11,880	645,000	45,750
Total	40,618	1,997	1,353,000	323,700	1,200,000	262,000	2,593,618	587,697

Revenue Note

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,000,000 of sewer revenue notes issued in June 2004. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$1,676,700. For the current year, principal and interest paid was \$119,900. Annual principal and interest payments are expected to require less than 75% of net receipts.

The resolution providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise funds for the purpose of making the bond principal and interest payments when due.
- (c) Once the required transfers to the Sinking fund have been made, all of the remaining net revenues shall be put into a Surplus fund.

The City is not in compliance with these provisions at June 30, 2011.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the

State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$27,939, \$26,756 and \$24,564, respectively, equal to the required contributions for each year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory and holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation and compensatory time	\$16,978

This liability has been computed based on rates of pay in effect at June 30, 2011.

Sick leave is payable when used. It is not paid upon termination, retirement or death.

(6) **Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) **Health Insurance**

The City contributes money to a Health Savings Account (HSA) for each employee to pay a portion of each employee's deductible. Employees on the single plan have a \$1,500 deductible and the City contributes \$1,500 to the employee's HSA. Employees on the family plan have a deductible of \$4,000 and the City contributes \$2,500 to the employee's HSA.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	\$ 129,607
Debt Service	Local option sales tax	\$ 29,493
Debt Service	General	\$ 6,679
Special Revenue: Local Option Sales Tax	General	\$ 125,000
Capital Projects: Truck	Special Revenue: Road Use Tax	\$ 20,000
EMS Equipment	Local Option sales tax	14,000
Fire Equipment	Local Option sales tax	15,000
Street Equipment	Local Option sales tax	15,000
Warning Siren	Local Option sales tax	5,000
Police Car	Local Option sales tax	12,500
Historic Preservation	General	97
	Capital Projects: Kouhns	24,227
Redevelopment Project		\$ 105,824
General	Business Type: Sewer	\$ 9,248
General	Storm Water	994
		\$ 10,242
Total		\$ 406,845

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Rural Fire Services Board

The City, in conjunction with six townships has created the Rural Fire Services Board. The Board was established for the primary purpose of providing fire protection. The Board is composed of the Township Trustees, the City Council members and the Fire Chief.

Township Trustees levy taxes to pay for their portion of the fire based on population, annual average number of calls, and assessed value of real estate in the area served. The Townships reimburse the City for their portion of the expenses, including half of the payments for the fire truck; therefore, the City has an ongoing financial interest.

(10) Restatement of Beginning Fund Balance

Prior to June 30, 2011, the Library Board of Trustees maintained a separate checking account that was not being included on the City's financial statements. The beginning General fund balance at June 30, 2010 has been restated to include the balance of \$35,103 and all activity for the years ended June 30, 2011 has been included in these financial statements.

June 30, 2010 balance	\$ 1,131,549
Addition for Library checking account	<u>35,103</u>
June 30, 2010 balance, as restated	<u>\$ 1,166,652</u>

Required Supplementary Information

City of Ogden
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 695,970	-	695,970
Other city tax	145,657	-	145,657
Licenses and permits	2,078	-	2,078
Use of money and property	102,266	5,497	107,763
Intergovernmental	795,988	-	795,988
Charges for service	16,919	352,783	369,702
Special assessments	1,167	-	1,167
Miscellaneous	96,650	322	96,972
Total receipts	<u>1,856,695</u>	<u>358,602</u>	<u>2,215,297</u>
Disbursements:			
Public safety	285,367	-	285,367
Public works	254,100	-	254,100
Health and social services	5,400	-	5,400
Culture and recreation	168,044	-	168,044
Community and economic development	39,936	-	39,936
General government	187,816	-	187,816
Debt service	170,216	-	170,216
Capital projects	1,567,280	-	1,567,280
Business type activities	-	283,889	283,889
Total disbursements	<u>2,678,159</u>	<u>283,889</u>	<u>2,962,048</u>
Excess (deficiency) of receipts over (under) disbursements	(821,464)	74,713	(746,751)
Other financing sources, net	<u>1,322,497</u>	<u>(10,242)</u>	<u>1,312,255</u>
Excess (deficiency) of receipts and other financing sources over disbursements	501,033	64,471	565,504
Balances beginning of year, as restated (Note 10)	<u>702,548</u>	<u>464,104</u>	<u>1,166,652</u>
Balances end of year	<u><u>\$ 1,203,581</u></u>	<u><u>528,575</u></u>	<u><u>1,732,156</u></u>

See accompanying independent auditors' report.

Budgeted Amounts		Final to
Original	Final	Net Variance
688,846	688,846	7,124
139,543	139,543	6,114
1,700	1,945	133
70,990	75,490	32,273
966,279	1,011,769	(215,781)
380,790	367,100	2,602
-	-	1,167
79,150	89,570	7,402
2,327,298	2,374,263	(158,966)
317,963	317,963	32,596
291,270	291,270	37,170
5,400	5,400	-
237,074	190,779	22,735
29,500	41,283	1,347
154,321	197,896	10,080
177,205	177,205	6,989
1,896,000	2,007,442	440,162
185,449	185,449	(98,440)
3,294,182	3,414,687	452,639
(966,884)	(1,040,424)	293,673
1,100,000	1,311,055	1,200
133,116	270,631	294,873
1,131,549	1,131,549	35,103
1,264,665	1,402,180	329,976

City of Ogden

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$46,965 and budgeted disbursements by \$120,505. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the business type activities function.

Other Supplementary Information

City of Ogden

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

		Special Revenue		Capital	Projects
	Debt Service	Employee Benefits	Police Car	Truck	Historic Preservation
Receipts:					
Property tax	\$ 139,543	\$ 138,337	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	139,543	138,337	-	-	-
Disbursements:					
Public works	-	-	-	-	-
Debt Service	170,216	-	-	-	-
Capital projects	-	-	23,933	-	-
Total disbursements	170,216	-	23,933	-	-
Excess (deficiency) of receipts over (under) disbursements	(30,673)	138,337	(23,933)	-	-
Other financing sources (uses):					
Sale of cemetery lots	-	-	-	-	-
Operating transfers in	36,172	-	12,500	20,000	97
Operating transfers out	-	(129,607)	-	-	-
Total other financing sources (uses)	36,172	(129,607)	12,500	20,000	97
Net change in cash balances	5,499	8,730	(11,433)	20,000	97
Cash balances beginning of year	-	47,388	40,000	60,199	-
Cash balances end of year	\$ 5,499	56,118	28,567	80,199	97
Cash Basis Fund Balances					
Nonexpendable					
Cemetery perpetual care	\$ -	-	-	-	-
Cemetery mausoleum	-	-	-	-	-
Restricted for:					
Streets	-	-	-	-	-
Debt service	5,499	-	-	-	-
Other purposes	-	56,118	28,567	80,199	97
Unassigned	-	-	-	-	-
Total cash basis fund balances	\$ 5,499	56,118	28,567	80,199	97

See accompanying independent auditors' report.

Warning Siren	EMS Equipment	Fire Equipment	Street Equipment
-	-	-	-
-	-	5	-
-	-	-	-
-	-	428	-
-	-	433	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	433	-
-	-	-	-
5,000	14,000	15,000	15,000
-	-	-	-
5,000	14,000	15,000	15,000
5,000	14,000	15,433	15,000
5,000	2,462	12,669	-
10,000	16,462	28,102	15,000
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
10,000	16,462	28,102	15,000
-	-	-	-
10,000	16,462	28,102	15,000

City of Ogden

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

				Permanent		
	Kouhns	Redevelopment Project	Park Improvements	Cemetery Perpetual Care	Cemetery Mausoleum	Total
Receipts:						
Property tax	-	-	-	-	-	277,880
Use of money and property	-	-	-	-	-	5
Intergovernmental	-	38,957	-	-	-	38,957
Miscellaneous	24,227	-	-	-	-	24,655
Total receipts	24,227	38,957	-	-	-	341,497
Disbursements:						
Public works	-	-	-	-	-	-
Debt Service	-	-	-	-	-	170,216
Capital projects	18,376	122,364	1,774	-	-	166,447
Total disbursements	18,376	122,364	1,774	-	-	336,663
Excess (deficiency) of receipts over (under) disbursements	5,851	(83,407)	(1,774)	-	-	4,834
Other financing sources (uses):						
Sale of cemetery lots	-	-	-	1,200	-	1,200
Operating transfers in	-	24,227	-	-	-	141,996
Operating transfers out	(24,227)	-	-	-	-	(153,834)
Total other financing sources (uses)	(24,227)	24,227	-	1,200	-	(10,638)
Net change in cash balances	(18,376)	(59,180)	(1,774)	1,200	-	(5,804)
Cash balances beginning of year	19,359	-	10,456	47,376	17,462	262,371
Cash balances end of year	983	(59,180)	8,682	48,576	17,462	256,567
Cash Basis Fund Balances						
Nonexpendable						
Cemetery perpetual care	-	-	-	48,576	-	48,576
Cemetery mausoleum	-	-	-	-	17,462	17,462
Restricted for:						
Streets	-	-	-	-	-	-
Debt service	-	-	-	-	-	5,499
Other purposes	983	-	8,682	-	-	244,210
Unassigned	-	(59,180)	-	-	-	(59,180)
Total cash basis fund balances	983	(59,180)	8,682	48,576	17,462	256,567

See accompanying independent auditors' report.

City of Ogden

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Enterprise
	Storm
	Water
Operating receipts:	
Charges for service	\$ 35,918
Operating disbursements:	
Business type activities	17,747
Excess (deficiency) of operating receipts over (under) operating disbursements	18,171
Other financing sources (uses):	
Operating transfers in	-
Operating transfers out	(994)
Total other financing sources (uses)	(994)
Net change in cash balance	17,177
Cash balances beginning of year	26,923
Cash balances end of year	\$ 44,100
Cash Basis Fund Balances	
Unreserved	\$ 44,100

See accompanying independent auditors' report.

City of Ogden
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation:			
Fire truck	Dec. 15, 2000	6.75%	\$ 130,000
Storm sewer	Dec. 10, 2002	4.90	203,250
Series 2010	Sep. 21, 2010	1.30-4.00	1,315,000
Revenue Bonds:			
Sewer	Jun. 1, 2004	3.00%	\$ 2,000,000

See accompanying independent auditors' report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
12,565	-	12,565	-	358	-
60,943	-	20,325	40,618	2,489	-
-	1,315,000	115,000	1,200,000	18,793	-
\$ 73,508	1,315,000	147,890	1,240,618	21,640	-
\$ 1,430,000	-	77,000	1,353,000	42,900	-

City of Ogden
Bond and Note Maturities
Year ended June 30, 2011

Year Ending June 30,	General Obligation Loans Payable				Total
	Storm Sewer		Series 2010		
	Issued Dec 10, 2002		Issued Sep 21,2010		
	Interest		Interest		
	Rate	Amount	Rate	Amount	
2012	4.90%	20,325	1.41%	100,000	120,325
2013	4.90%	20,293	1.66%	100,000	120,293
2014			1.88%	100,000	100,000
2015			2.34%	100,000	100,000
2016			2.73%	100,000	100,000
2017-2021			3.02-3.75%	500,000	500,000
2022-2025			3.88-4.00%	200,000	200,000
Total		\$ 40,618		\$1,200,000	\$ 1,240,618

Year Ending June 30,	Sewer	
	Revenue Bonds	
	Issued Jun 1, 2004	
	Interest	
	Rates	Amount
2012	3.00%	79,000
2013	3.00%	82,000
2014	3.00%	84,000
2015	3.00%	87,000
2016	3.00%	89,000
2017-2021	3.00%	487,000
2022-2025	3.00%	445,000
Total		<u>\$ 1,353,000</u>

See accompanying independent auditors' report.

City of Ogden

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Eight Years

	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:								
Property tax	\$ 695,970	\$ 584,866	\$ 522,705	\$ 542,778	\$ 513,041	\$ 440,930	\$ 422,512	\$ 438,019
Other city tax	145,657	141,946	150,412	147,074	144,706	133,148	129,426	133,289
Licenses and permits	2,078	1,768	1,530	5,835	1,973	2,333	2,182	2,422
Use of money and property	102,266	67,514	70,972	66,632	71,988	65,548	60,759	49,594
Intergovernmental	795,988	379,435	223,110	281,280	344,258	278,747	253,185	356,246
Charges for service	16,919	29,853	23,370	25,934	24,312	19,449	2,893	707
Special assessments	1,167	5,898	-	-	-	-	-	-
Miscellaneous	96,650	124,689	200,018	104,908	116,923	119,445	83,126	83,796
Total	\$ 1,856,695	\$ 1,335,969	\$ 1,192,117	\$ 1,174,441	\$ 1,217,201	\$ 1,059,600	\$ 954,083	\$ 1,064,073
Disbursements:								
Operating:								
Public safety	\$ 285,367	\$ 313,392	\$ 315,532	\$ 295,791	\$ 266,310	\$ 251,493	\$ 234,982	\$ 218,541
Public works	254,100	192,507	282,287	286,326	264,942	298,880	271,223	244,698
Health and social services	5,400	5,400	14,350	15,850	16,450	16,050	16,600	16,922
Culture and recreation	168,044	222,888	222,061	248,162	225,460	214,797	165,513	139,866
Community and economic development	39,936	5,516	27,883	68,173	142,569	85,099	17,829	42,653
General government	187,816	143,911	149,455	167,770	144,145	137,328	137,668	124,161
Debt service	170,216	37,921	39,992	70,355	74,012	77,432	80,382	84,015
Capital projects	1,567,280	255,247	40,715	14,295	147,238	75,872	158,942	182,988
Total	\$ 2,678,159	\$ 1,176,782	\$ 1,092,275	\$ 1,166,722	\$ 1,281,126	\$ 1,156,951	\$ 1,083,139	\$ 1,053,844

See accompanying independent auditors' report.

City of Ogden
 Schedule of Expenditure of Federal Awards
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	09-WS-045	347,792
Community Development Block Grants/ State's Program	14.228	08-DRI-063	318,798
			<u>666,590</u>
U.S. Department of Emergency Management:			
Disaster Grants - Public Assistance	97.036	1930-DR-IA	3,479
			<u>3,479</u>
Total			<u><u>\$ 670,069</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Ogden and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report.

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ogden, Iowa, as of and for the year ended June 30, 2011, and have issued our report thereon dated June 6, 2012. Our report expressed unqualified opinions on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ogden's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Ogden's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Ogden's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Ogden's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of significant deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ogden's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Ogden's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ogden and other parties to whom the City of Ogden may report including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ogden during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cline DeVries & Allen, LLP
June 6, 2012
Ames, Iowa

**Independent Auditors' Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control over Compliance in Accordance with OMB
Circular A-133**

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and Members of the City Council:

Compliance

We have audited the City of Ogden, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 **Compliance Supplement** that could have a direct and material effect on the City of Ogden's major federal program for the year ended June 30, 2011. City of Ogden's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Ogden's management. Our responsibility is to express an opinion on City of Ogden's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, **Audits of States, Local Governments and Non-Profit Organizations**. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Ogden's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Ogden's compliance with those requirements.

In our opinion, City of Ogden complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-11 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control over Compliance

The management of City of Ogden is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Ogden's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our

auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Ogden's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

City of Ogden's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Ogden's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Ogden and other parties to whom City of Ogden may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these parties.

Cline, DeVries & Allen, LLP
June 6, 2012
Ames, Iowa

City of Ogden

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City did not qualify as a low-risk auditee.

City of Ogden
Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The following functions are all performed by the same person:

- (1) Payroll - preparing and distributing checks.
- (2) Disbursements - preparing, distributing and posting.
- (3) Receipts - collecting, depositing, journalizing and posting.
- (4) Financial records - preparing Council minutes and financial reporting.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances and the above functions should be segregated.

Response and Corrective Action Planned - We will review our procedures.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-11 Library - The Library Board had been maintaining a separate checking account from the City's records and the information was not being reported to the City Council. Disbursements from this account included \$900 in withdrawals for petty cash but no records were kept of the disbursements made from the petty cash fund. Disbursements also included checks payable to individuals who worked part time at the Library but were not treated as employees subject to payroll tax withholdings.

There were seven checks written during the fiscal year with no invoices to support the disbursements.

Receipts were not being issued by the Library for collections and not all collections were deposited. There were no deposits for sales of books, paintings and the sale of the Library's old tables and chairs.

Recommendation - The City should account for all funds of all departments on their financial statements, budget, annual financial report, etc. All payments

to employees must be accounted for in City's regular payroll system and included on all payroll filings such as W2s, W3, 941s, etc.

The Library should be using pre-numbered receipts for all collections and all collections should be deposited.

Invoices and supporting documentation should be kept for all disbursements made.

A small balance should be established in the petty cash fund and all collections should be deposited into the bank rather than be put into petty cash. The petty cash should only be used to make change for customers and minimal balance disbursements such as postage. All disbursements for the Library should follow the same procedures for all other City disbursements.

Response – We have made an entry to record the June 30, 2010 beginning balance of the separate checking account on our financial records and have recorded all disbursements and receipts made from the fund during the fiscal year. The funds are now being included on the City's records and all disbursements made from the funds are subject to Council approval along with all other City disbursements.

Payroll reports for 2011 have been amended to include the wages paid to the part time Library employees that were not being handled correctly and the individuals were issued W2s to report their wages.

A set of carbon copy receipt books was taken to the Library for the employees to use in the future.

\$500 in cash was deposited into the checking account in the subsequent fiscal year and now only \$50 is kept in the Library petty cash fund.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Ogden
Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

None.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 14.228: Community Development Block
Grants/State's Program
Pass-through Agency Number: 09-WS-045 and 08-DRI-063
Federal Award Year: 2011
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development

III-A-11 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-11.

City of Ogden

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Also, the beginning fund balance on the amended budget does not match the beginning fund balance that was on the original budget.

Recommendation - Although the budget was amended, it should have been amended in a sufficient amount to prevent disbursements from exceeding budgeted amounts. The City should also ensure the budget is reviewed closely for any typing errors.

Response - There had been a previous error in the ending fund balance in 2008. This error was noticed and corrected in the Financial Report and the amended budget for the 2010-2011 fiscal year.

Conclusion - Response accepted.

- IV-B-11 Questionable Disbursements - We noted two disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursements were for flowers for a funeral and pizza and pop for the fire department.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper purpose and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

- IV-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Ogden
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

- IV-D-11 **Business Transactions** - Business transactions between the City and City officials or employees were as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Nate Spencer, police officer	Mowing	\$68

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with the above individual do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- IV-E-11 **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- IV-F-11 **Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.

- IV-G-11 **Deposits and Investments** - The City's investment policy is in compliance with the provisions of Chapter 12B and 12C of the Code of Iowa.

- IV-H-11 **Telephone Company Stock** - The City owns 560 shares of \$100 par value common stock of the Ogden Telephone Company, of which 140 shares were acquired by donation and another 420 shares were acquired by stock splits.

Although this type of investment is not permitted by the Code of Iowa, it was acquired by donation; therefore the City is not in violation of Chapter 12 of the Code of Iowa. The stock is not readily marketable, and thus no market value of the shares is determinable.

- IV-I-11 **Revenue Bonds** - The City is not in compliance with the provisions of the Sewer Revenue Bonds. The resolution requires a net revenue test to be met and the City is not meeting the minimum net revenue amount as established in the bond resolution.

Recommendation - The City should review the sewer charges being assessed and the budgeted expenditures to determine if the charges need to be increased.

Response - We are in the process of resolving this.

Conclusion - Response accepted.

City of Ogden

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-J-11 **Financial Condition** - The Capital Project Funds, Sewer CIPP and Redevelopment Project accounts had deficit balances of \$2,982 and \$59,180, respectively.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response - We will do so.

Conclusion - Response accepted.

IV-K-11 **I-Jobs Grant** - The City received I-Jobs revenue from the State of Iowa, which they deposited into the Special Revenue, Road Use Tax Fund.

Recommendation - Cities may choose to deposit I-Jobs receipts/revenues in any other appropriate fund other than the Special Revenue Fund, Road Use Tax Fund. This money should be transferred out of the Road Use Tax Fund into another fund.

Response - We will do so.

Conclusion - Response accepted.

IV-L-11 **Outstanding Checks** - The City has two checks that were issued over twelve months ago and still appear as outstanding on their outstanding check list.

Recommendation - The City should void and re-issue the checks.

Response - We will do so.

Conclusion - Response accepted.